



State of Utah

Department of
Natural Resources

Division of
Oil, Gas & Mining

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Executive Director

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Lieutenant Governor

March 25, 2004

Mr. Gregory Hahn
SUMMO USA Corporation
1776 Lincoln Street, Suite 900
Denver, Colorado 80203

Subject: Approval of Drilling Proposal, SUMMO USA Corporation, Lisbon
Valley Mine, M/037/088, San Juan County, Utah

Dear Mr. Hahn:

The Division of Oil, Gas and Mining has reviewed your proposal to drill 29 exploration/development holes in the existing Centennial Pit. The entire area is previously disturbed.

The proposal is hereby approved with the conditions that you obtain approval from the School and Institutional Trust Lands Administration (SITLA) and from the Bureau of Land Management (BLM) and that you post an adequate reclamation bond in a form and amount acceptable to the Division, the BLM, and SITLA.

Your proposal includes reclamation cost estimates for plugging up to 1000 feet of five-inch holes at the rate of \$3.00 per foot (\$3000), and reclaiming and cleaning up drill sites at the rate of \$150 per site (29 X \$150 = \$4350) for a total of \$7350. The letter/proposal from Pat Gochnour says, "Rather than bond for plugging of all 29 holes, Summo proposes to commit (contractually obligate the driller) to plugging each hole prior to initiating drilling on the next hole." Although the Division has had a good relationship with SUMMO, we are obligated by law to bond for disturbances from mining operations. By your proposal, the Division would only hold bond to plug a portion of the drill holes, and this is not acceptable.

The letter also says there are moneys held from previous exploration efforts that could be accessed even though all holes have been plugged. With this statement in mind, on March 19, 2004, Paul Baker of the Division staff, and your driller, Chuck Bauer, visited several of the sites drilled over the past few years.

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Drilling is not yet complete on the holes that were approved in 2003, but 11 of the 25 planned holes had been plugged as of the date of the inspection. Several sites that were drilled in 1999 and 2000 were examined, and the Division hereby releases them from further reclamation requirements. While the Division did not witness the plugging operation, every aspect of reclamation, including revegetation, appeared to be adequate.

In releasing these sites, money from the bond currently being held by the Division as surety for reclamation can be released and applied toward planned disturbances, such as the sites you are currently proposing to drill. The following money is available:

1. \$1916 for revegetation of drill holes proposed on September 8, 1999. (Additional bond money for plugging these holes was previously released and applied toward the reclamation requirements for other project disturbance.)
2. \$27,166 for reclamation of sites proposed December 21, 1999, and March 14, 2000. A total of 66 holes were proposed.
3. \$1650 for plugging 11 of the 25 holes approved in 2003.

The total amount available that could be applied to the current proposal is \$30,732. Taking out the amount for drill site reclamation and cleanup leaves \$26,382 which is enough to bond for bentonite plugging a total depth of 8794 feet. The total depth of bentonite plugging proposed is 15,128 feet, so the bond available would cover 58 percent of the proposed bentonite plugging.

We propose to release you from further reclamation responsibilities as discussed above and, *at this time*, allow you to drill up to 17 of the holes you have proposed which is about 58 percent of the holes. After you have drilled and plugged 12 holes, we ask that you notify us. At that point, a Division representative or someone from the BLM or from SITLA, will inspect the holes that have been completed. Assuming they appear to have been plugged properly, we would then allow the balance of the holes to be drilled.

By doing this, you would not need to post any additional bond. When the project is completed, we would be in a position to release the total amount discussed above, \$30,732, either from the bond or for application toward future

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disturbances. This is because no revegetation is required for proposed drill hole sites located within the predisturbed pit.

We hope this proposal is acceptable to you. Although it requires some coordination and that you notify us in the middle of the drilling operation, it has the advantage of not requiring you to post additional bond. If you cannot accept this proposal, please contact us with an alternative bonding method.

Thank you for your cooperation. If you have any questions about this letter or if you need more information, please call me at 801-538-5286 or Paul Baker at 801-538-5261.

Sincerely,

A handwritten signature in black ink that reads "D. Wayne Hedberg". The signature is written in a cursive, flowing style.

D. Wayne Hedberg, Permit Supervisor
Minerals Regulatory Program

DWH:PBB:jb

cc: Will Stokes, SITLA
Moab BLM

L. Pat Gochmour, Gochmour and Associates

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